

## The accounting standard-setting process in Fiji *The appropriateness of processes and the relevance of issues*

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### *Introduction*

Current accounting practices have for the most part evolved in the environments of the commercial needs and cultures of developed western economies. More particularly, the influence of Anglo-Saxon cultures on world accounting practices can be seen to predominate. The United States of America (USA) and the developed Commonwealth nations (Australia, Canada, New Zealand and the United Kingdom (UK)) are the societies with the largest endowments of professional accountants relative to total population size. Professional bodies from these countries, with the exception of New Zealand, are predominant in the work of the International Accounting Standards Committee (IASC) (Wallace 1990). Consequently the Anglo-Saxon accounting model and that of the IASC are essentially the same. (There are, of course, other accounting models, notably the French Plan Comptable Général, the German Framework of Accounts and the Soviet Accounting Systems.)

Fiji, as a Commonwealth nation and with its close geographical and trading association with Australia, has inevitably been caught up in the Commonwealth sphere of influence in terms of general accepted accounting practices (GAAP). During Fiji's period of colonial government, foreign investment and international trading partners were drawn almost exclusively from other Commonwealth countries and accounting practices adopted were inevitably those adjudged appropriate from the perspective of the

international organisations operating in Fiji. This perspective, however, does not necessarily yield information appropriate for formulating macroeconomic policies (Enthoven 1972:111–12) or for domestic decision making. Since independence, Fiji has sought to diversify its trading relationships and sources of investment. For these two reasons it has become necessary to consider whether the Anglo-Saxon philosophy of accounting, and GAAP associated with it, are appropriate to Fiji's needs for accounting information.

Much has been written already on the relative merits of developing economies' establishing their own accounting models different from those of the developed world. In contrast, little has been written of developing countries' capacity to change accounting systems already in place. This paper outlines how standard-setting processes have been established in the IASC and Australia, the two main influences on standard accounting practices in Fiji. The paper then reviews the arguments advanced in favour of developing countries' adopting GAAP based on the accounting model adopted by the IASC, which has dominated accounting practice in Fiji, and the counter-arguments that support the adoption or development of an alternative system. It then reviews the standard-setting process in Fiji in order to assess Fiji's potential to change established practices, presuming that a change in the model is seen as desirable. It is noted that little work has been done to document the standard-setting processes in developing countries, and none whatsoever in Fiji, prior to this work. Observations are made about the apparent lack of democracy in the standard-setting process in Fiji. The need for wider participation in the standard-setting process is then considered in the context of the degree of independence from international accounting norms that Fiji can in fact assert.

### *Methodology*

Our research findings are based in part on responses received from a structured questionnaire distributed to a cross-section of practitioners in public accounting firms, commercial and non-profit organisations. To maximise responses to this questionnaire, the number of open-ended questions was restricted to a minimum.

Our sample was drawn entirely from the Suva area, on the (untested) assumption that this would adequately represent the accounting fraternity throughout Fiji and that views would not differ significantly in other parts

of the country. A sample of 60 was drawn from 5 public accounting firms, a large commercial organisation and a non-profit organisation. It was assumed that accountants in public practice would have some experience in both commercial and non-profit organisations, thereby compensating for the fewer observations from those categories.

From the total sample questioned, 40 responses were received, of which 3 were rejected because they were from non-members of the Fiji Institute of Accountants (FIA). The remaining 37 responses were then analysed and form the basis of the findings documented. This represents a response rate of 62%, which is a sufficient base from which to draw valid statistical findings.

During the course of our research, we also interviewed the chairman of the Accounting and Auditing Standards Committee, Mr Nalin Patel. He was identified as possessing considerable knowledge regarding the standard-setting process in Fiji, having served as chairman of the committee for the last three years.

Insights into members' views on the standard-setting process were sought using two questions (see appendix 2, tables 1 and 2). The first was concerned with the consultation process preceding the issue of a new standard, and the second aimed to determine the extent to which members felt that local conditions should affect the adoption of accounting standards. While the first question could be posed quite clearly, further definition of the options was necessary in the case of the second, to avoid ambiguity and ensure that responses were as comparable as possible.

Questions on relevance were posed in both multiple choice and open-ended formats. Two complementary multiple choice questions were asked first; one on how regularly members refer to Fiji Accounting Standards (FASs) and the other on how many they actually refer to (see appendix 2, tables 3 and 4). Further details were then obtained by asking respondents to specify which standards they referred to most and least frequently as well as any standards to which they had never referred (see appendix 2, tables 5, 6 and 7).

We also took the opportunity to test how relevant members find International Accounting Standards (IASs). This was evaluated by asking members how they would react in the absence of an FAS (appendix 2, table 8). The options were not restricted to written authorities since it is possible that some accountants might seek the opinion of their supervisors in such a situation.

Finally, members were invited to add any further comments on the standard-setting process. This question was designed to capture any other relevant issues that we might have overlooked but might decide to pursue further in the course of our research.

One of the limitations of our research is its restriction to the Suva area. While we do not feel that this will significantly affect our findings on the appropriateness of processes and relevance of issues, it is possible that individuals in other locations may have shed interesting light on standards that are required in specific industries.

It is also apparent that most of our findings came from professional firms rather than commercial organisations. This denied us the ability to make statistically valid comparisons between the views of public accountants and those of their counterparts in commercial practice. Indeed the research has merely begun to provide an insight into the usefulness of FASs from the perspective of providers of financial reports. A complete picture can only be obtained by the successful accomplishment of the more complex task of polling the users of such reports.

### Setting accounting standards

The *International Accountings Standards Committee* (IASC) has a very rigorous seven-step procedure by which an IAS is developed. The steering committee is responsible for formulating a draft standard, which then goes through a series of review processes before it is issued as an IAS. (For details of the complete procedure refer to *IASC Standards: 1995*). To date, the IASC has issued thirty-one accounting standards.

In *Australia*, the authority to set accounting standards is vested in the *Australian Accounting Standards Board* (AASB), which was established in 1991. Exposure Draft 57, released in September 1992 by this board, outlines the process by which a new standard is issued (Godfrey et al. 1994:299).

*Developing countries*, lacking the required resources to develop their own accounting standards, *adopt the IASs*. The literature identifies two views as far as the adoption and use of the IASs is concerned, one advocating the transfer of existing systems and the other stressing the development of new, relevant ones.

The first view is that of 'ethnocentric conceptualists', who believe that accounting systems from developed countries should be transplanted to developing countries, through agents such as accounting professors and

international accounting firms. This transfer may follow the identification of perceived deficiencies in the recipient country's accounting system, and the provision of assistance required to correct them (Cairns 1990).

The relevance of IASs to developing countries is amply demonstrated by the fact that the domestic needs of member countries can and do determine the development of new IASs (Hove 1989; Cairns 1990). The degree of influence that the United Kingdom and the United States have over the development of IASs may also work in favour of developing countries that are former colonies of the United Kingdom. As the accounting practices of these countries are likely to be in line with the UK and the US, adopting IASs would not bring about any major changes; rather would it serve to reinforce existing practices.

The opposing view contends that accounting systems employed by a developing country must be of relevance to its own needs rather than an imitation of any other country's system. Many studies have raised serious doubts regarding the relevance in developing countries of IASs, which essentially reflect Anglo-American accounting (Samuels & Oliga 1982; Perera 1989; Samuels 1990). In general, these doubts are based on identifiable differences in business environments, business ownership structure, users of accounting information and attitudes towards disclosure (Perera 1989:143). Furthermore, Perera (1989, quoting his own 1986 words) argues that to the extent that accounting skills are culturally specific, there will be additional problems of relevance because the culture-based societal values that influence accounting in developing countries are significantly different from those of western capitalist countries. Different environments lead to different accounting objectives, therefore different standards are required.

### Appropriateness of the process

#### *The standard-setting process in Fiji*

The FIA as at 31 December 1997 had issued 23 accounting standards and 16 auditing standards (see appendix 1). In issuing these standards, the FIA has generally followed a far less rigorous approach than that employed by the IASC or standard-setting bodies in developed countries, such as the AASB in Australia, which has released an exposure draft dealing with procedures for the development of accounting concepts and standards. The

procedures in developed countries provide for greater consultation with a wide cross-section of the community, whereas in Fiji there is currently no discussion with members prior to the issuing of new accounting standards. The circulation of new exposure drafts in 1997, which were available to the general public as well as FIA members prior to the adoption of standards late in the year, constitutes a noteworthy development.

In the course of our research undertaken in 1996, members were asked to comment on how the FIA should proceed in setting standards. Their views are detailed in appendix 2, table 1. From our findings, it is apparent that members are unhappy with the earlier process—under which the Standards Setting Committee simply handed down any new standards—since none of their responses support it. It should, though, be noted that according to the chairman of the Standards Setting Committee, the previous practice had been to circulate draft statements to selected firms for comment but this practice has been discontinued since few responses were received. There are three possible explanations for the poor response. The first is that these firms were not interested in the process—although such behaviour would not be rational. Secondly, they may have felt that comments they made would not gain serious consideration by the committee anyway. The third possibility is that they refrained from commenting because, understanding the need for uniformity with IASs in order to guarantee national credibility, they did not regard it as a ‘real’ question.

#### *Local Conditions*

Members were also asked to what extent they felt local conditions should affect the adoption of accounting standards. Their responses are summarised in appendix 2, table 2.

A mere 10% felt that local conditions should not be considered at all; the remainder felt that local conditions should affect the adoption of FASs. Of those who felt that local conditions should not be considered, more were full members of the FIA, representing 21% of that category. By contrast, 76% of provisional members said that local conditions should strongly or dominantly affect the form of any accounting standard adopted. This may indicate a greater awareness amongst full members of the apparently persuasive reasons why Fiji is unable to incorporate local factors when issuing statements; there is a trade-off between domestic relevance and international credibility and this can have a direct impact on foreign

investment by transnational corporations. In the rapidly growing global economy, the need for comparability among financial statements of operations in different countries is of ever-increasing significance.

#### **Relevance of the issues**

##### *The importance of standards set elsewhere*

In studying the relevance of Fiji Accounting Standards, it is first necessary to determine whether Fiji needs to have its own accounting standards at all. Why, for instance, can it not rely on IASs to provide adequate guidelines for the appropriate treatment of various accounting issues?

The chairman of the Standards Setting Committee feels that IASs are in general appropriate for Fiji, although some specific standards are not relevant. For example, IAS 29 on Financial Reporting in Hyperinflationary Economies addresses a problem that Fiji does not presently experience; inflation rates in Fiji have remained consistently below 10% over the last five years. The same applies to IAS 19 on Employment Benefits and IAS 26 on Retirement Plans, both of which are more appropriate for developed economies.

Even when the FIA does decide that a particular IAS is relevant to Fiji, it may decide that the standard is not appropriate for all organisations. This has led to the concept of differential reporting, whereby only companies fulfilling specified criteria are required to comply with the equivalent FAS. Bearing this in mind, FAS 7, FAS 12, FAS 14, FAS 17 and FAS 24 (see appendix 1 for the titles of the standards) have been amended to apply only to certain organisations, demonstrating the fact that IASs *can* be modified to cater for local conditions. Since this can be done, Fiji needs to consider developing its own standards, ones that are directly applicable to the situation in Fiji.

These locally developed standards for the local context may come in the first instance from adaptation of IAS material. The Fiji Institute of Accountants, by virtue of its membership of the international body, is committed to consider the pronouncements of the IASC. This is a major reason why standards are generally adapted from the IASC. However, where pronouncements of the professional bodies in Australia are believed better suited to the Fiji situation, the FIA has opted to adapt the Australian Accounting Standard (AAS) instead. In adapting the Australian Standard,

the FIA ensures compliance with the equivalent International Standard since it merely restricts the available options without permitting any additional ones.

In the case of FAS 2 on Valuation of Inventories, the equivalent IAS permits the use of LIFO (Last In First Out), which undoubtedly reflects the influence of the USA on the IASC. However, LIFO is specifically excluded by legislation concerning taxation in Australia, Fiji and indeed most Commonwealth countries, whose systems have been influenced by those of the United Kingdom.

FAS 8, FAS 101 and FAS 102 have all been adapted from Australian standards because there are no equivalent IASs dealing with the issues they address. In such cases, the Fiji Institute has demonstrated a preference for Australian standards; FAS 12, FAS 14, FAS 17 and FAS 21 have also been adapted from Australia.

The only standard not to have been adapted from either the IASC or AASB is FAS 103 on Value Added Taxation, which was adapted from the New Zealand Standard following the introduction of VAT in Fiji. Since neither IASC nor AASB had issued a standard on VAT, the FIA adapted the statement developed by New Zealand, analogously to the way in which Australian standards had been adapted in the past, on the basis of situational similarities.

This practice may be attributed to a number of reasons, the first of which is colonial influence. Both Fiji and Australia are former British colonies, whose present accounting systems to a large extent mirror the United Kingdom model, although the Australian accounting profession has made significant, if not radical, progress towards the development of its own conceptual framework. The British system established its firm foothold in its former colonies through administrative practice reinforced by the use of English texts in the education system.

To the extent that the pronouncements of the IASC reflect practice in the United Kingdom, they are likely to be in accordance with traditional accounting practice in Fiji and other member countries of the Commonwealth. Hence their adoption generally requires little modification to existing practice.

Australia and New Zealand have exerted great political and economic influence over their smaller Pacific Island neighbours, particularly in the era since these islands gained independence from their colonial rulers. This

influence has been enhanced through government aid as well as investment by corporate organisations, both of which are often accompanied by preferential trade agreements. Many Australians have served and continue to serve as expatriates in the management of larger enterprises in Fiji. This is particularly noticeable in the areas of accounting and finance, in both public accounting firms and commercial organisations, many of which have regional offices in Australia. It is argued that such relationships have helped Australia to develop a sphere of influence covering Fiji and Papua New Guinea, at a minimum. Countries in Polynesia are more likely to have been influenced by New Zealand (or France in the case of French Polynesia). This influence has been reinforced by education and training at secondary and tertiary level as well as that organised by individual firms. Many accounting curricula in Fiji are based on Australian texts.

It must also be recognised that the FIA has limited resources in many respects. For instance, it does not have any full-time technical staff who could work on reviewing and developing standards. Financial support is also limited. In such a situation, the Institute finds it more efficient to adapt standards that have been developed using the pooled resources of the international accounting community. Since the FIA believes that the work of the IASC is also appropriate for Fiji, it has decided not to re-invent the wheel but rather to concentrate on modifying it to suit local conditions, where this is feasible.

#### *Members' views on the relevance of FASs*

*Relevance of FASs in daily work.* Given the standards that have been adapted to date, we shall now examine members' views on their relevance. Members were first asked how relevant they found FASs in their daily work. Their views are detailed in appendix 2, tables 3 and 4.

Only 11% found FASs completely irrelevant. Although the remaining 89% said that FASs are of at least some relevance, the majority of these members identified FASs as being only of slight relevance. No significant variation was noticed between the views of full and provisional members.

These findings are consistent with responses to the following question, which aimed to determine how many FASs individuals actually refer to in the course of their work. Here, 62% referred to a maximum of five standards while only 30% referred to more than ten. The latter percentage closely mirrors the 35% who found FASs either very or extremely relevant.

It is noted that non-public accountants tend to refer to more of the standards than do their public counterparts.

*Relevance of individual standards.* Having studied the relevance of standards in general, we then examined the relevance of individual standards. The findings are summarised in appendix 2, table 5.

From our findings, it appears that the following six standards are referred to *most frequently* (>5 responses): FAS 1 Disclosure of Accounting Policies; FAS 4 Depreciation Accounting; FAS 5 Information to be Disclosed in Financial Statements; FAS 7 Statement of Cash Flows; FAS 12 Accounting for Income Tax; and FAS 17 Accounting for Leases.

Of these, FAS 7 and FAS 17 were issued only as recently as late-1995, so it is plausible that members were not very familiar with their contents, at least at the time of the survey, and therefore needed to refer to them quite often. Since FAS 1, FAS 4, FAS 5 and FAS 12 are very general in nature, the fact that they are referred to so frequently suggests that members feel a need to refer to more general standards with greater frequency than to specific ones.

Among standards that are *least* referred to are FAS 11, FAS 17, FAS 20, FAS 102 and FAS 103 (see table 6 in appendix 2). Of these, FAS 11 is a very specific standard dealing with construction contracts. Since there was considerable construction activity in Fiji at the time that the research was undertaken, the fact that it is not used very frequently suggests that accounting for these activities may not be based on the standard.

FAS 20 deals with government grants. There are two reasons why the apparent neglect of this standard is not surprising. As the public sector in Fiji is, with few exceptions, audited by government accountants, not professional firms, only government accountants are likely to require knowledge of this standard. Since no responses were received from government accountants, the survey findings are to be expected. Furthermore, the Fiji Government does not provide any support to the private sector by way of grants.

It is interesting to note that FAS 17 has been listed as an infrequently consulted standard. This finding does not necessarily contradict its earlier identification as one of the most frequently referred to standards: its 'least frequently' ranking probably reflects the fact that, like FAS 11, it deals with a more specific issue of finance that is not of relevance to all organisations.

FAS 102 is unlikely to be referred to very frequently since the revaluation of non-current assets rarely occurs in Fiji. In addition, there is considerable overlap between FAS 102 and FAS 16, which is not cited as one of the most frequently referred to standards. Both FAS 102 and FAS 16 overlap with FAS 4. This may explain why the latter statement is more frequently referred to. To the extent that the provisions of FAS 4 have been largely superseded by FAS 16, this is a matter of concern. Members may in some cases be applying regulations no longer in force.

FAS 103 was issued some three years after the introduction of VAT. Practice in this regard has probably been guided by pronouncements of the VAT Unit of the Inland Revenue Department. In this regard, the pronouncements of the FIA have lagged behind practice.

Members were then asked to list any standards to which they had *never* referred. Their responses are summarised in table 7 in appendix 2. Standards in this category included FAS 9, FAS 11, FAS 14 and FAS 20. Of these, FAS 9 Accounting for Research and Development Activities, was identified by 23% of the respondents. This reflects the fact that few industries in Fiji are actively engaged in Research and Development.

The fact that reference is not made to FAS 11 and FAS 20 supports their earlier identification among the least referred to statements. FAS 11 and FAS 14 both cover very specific accounting issues. Although few respondents listed FAS 14 among their least frequently referred to standards, none of them cited it as a most frequently referred to statement and 9% of all respondents said that they had never referred to it. This observation would seem to contradict Cairns's argument that IAS 14 was developed in response to requests from developing countries.

*How are members expected to act where no standard exists?* Members were asked where they would look for guidance when dealing with an area for which no FAS exists. Their responses are summarised in table 8 in appendix 2.

In all, 59% said that they would refer to IASs while 32% would refer to AASs. Amongst full members, 65% identified IASs as their first point of reference, in comparison to 53% of provisional members. This indicates a greater readiness on the part of provisional members to refer to the pronouncements of AASB than is shown by full members. This may be due to the fact that recent graduates are more familiar with AASs, since

Australian texts are widely used at undergraduate level, whereas the more experienced accountants may have been more exposed to IASs.

In general, these findings demonstrate that accountants find the pronouncements of IASC and AASB to be of some relevance to accounting practice in Fiji. This seems to support the FIA's current practice of adapting IASs as national standards.

According to the chairman of the Accounting and Auditing Standards Committee, members are expected to exercise their expertise in deciding on the treatment of an issue where no FAS exists. More importantly, the onus is on the auditor to exercise his professional judgment to ensure true and fair treatment and reporting.

*Other areas to be covered by standards.* One other area that the members felt should be covered by FASs was that of banking and financial institutions. This feeling was no doubt intensified by the recent problems that have surfaced in financial markets, particularly the National Bank of Fiji scandal and allegations that the Fiji Development Bank will have to establish substantial provisions for bad debts.

In this respect the view of the committee appears to be congruent with that of the members. It planned to issue an FAS equivalent to IAS 30 by the end of 1996. This date, however, was delayed to 1998, and the FIA's action on this seems to have been taken at the prompting of the Reserve Bank of Fiji rather than that of the individual Institute members.

The suggestion was also made that there was a need for the FIA to issue a standard on accounting for intangible assets including goodwill and patents. Many firms in Fiji acquire or create such assets, which therefore need to be regulated by appropriate accounting standards. It was felt that a local standard should consider local requirements in respect of amortisation, particularly the period of time over which intangible assets can be amortised.

Professional accounting bodies in the United States, the UK and Australia are currently working on an accounting standard in this area, as also is the IASC. When interviewed, the chairman of the Accounting and Auditing Standards Committee expressed the opinion that, from his experience, this was not a very common issue in Fiji and as such did not necessitate the issue of an FAS. It is interesting to note that since this discussion, FAS 22—which provides rulings on capitalisation and amortisation of goodwill—has been adopted.

Amongst those accountants surveyed, some showed a degree of interest with respect to adoption of a standard incorporating accounting for environmental issues. While they did not mention any specific methods or requirements, their responses appeared to be influenced by the increasing worldwide prominence accorded to the environment and the greater awareness of the need to protect and manage it. This may also prelude the introduction of environmental legislation, which is presently being drafted by the Fiji government.

The need for standards covering accounting for primary industries was also expressed. This related to valuation of inventory and valuation of livestock. Consciousness of this need reflects the agricultural base of Fiji's economy as well as the significance of fishing and forestry within it. Related to such a standard could be a more general standard on plantation accounting, such as the one in Papua New Guinea, or a more general standard on extractive industries, such as the one developed in Australia. However, according to the chairman of the Accounting and Auditing Standards Committee, demand is insufficient to justify such a standard at the moment. Fiji's land tenure system generally prevents the establishment of large plantations. More characteristic is the pattern of many agricultural enterprises operated by sole traders who are not required to prepare audited accounts. The need for a standard on accounting for extractive industries may be reviewed in light of the established mining developments at Vatukoula and Mount Kasi.

One member spoke of the need for a standard relating to companies under receivership and restructuring. The increasing incidence of companies going into receivership or being wound up was cited as a justification for such a standard.

*Compliance.* In general it would seem that compliance with accounting standards has been declining over time. There are a number of reasons for this. In part it is simply due to more regulation. The more rules there are the harder they are to keep. Secondly, business enterprises in Fiji are heavily reliant on loan finance, particularly through leasing. Compliance with FAS 17 on leasing would require many such enterprises to report higher levels of capital gearing than previously. It is therefore not surprising to find compliance with this standard low. Thirdly, from 1987 to 1997 Fiji

increasingly sourced capital from Asia, where investors are generally less disposed to observe disclosure requirements than countries that had previously invested in Fiji. Finally, there is no effective enforcement agency.

Members felt that the FIA should be given greater legal backing. One even suggested that the FIA should be given powers to require companies, at random, to submit copies of their financial statements for review.

In 1995, the Accounting and Auditing Standards Committee decided that it was necessary to implement procedures to ensure that members of the accounting profession in Fiji were acting in compliance with FASs. This decision was developed into a formal recommendation to the Council of the FIA. The Council subsequently decided that the Accounting and Auditing Standards Committee should also serve as the Surveillance Panel 'for the time being' [FIA Annual Report 1995:10].

### Conclusions, recommendations and suggestions

#### *Standard-setting process*

Our research findings leave no doubt that members of the accounting profession would like to see a change in the process by which standards are promulgated and issued by the FIA. This is a clear indication that they want to have more input and greater responsibility with regard to the standards with which they are required to comply. It must be noted that the FIA appears to have recognised this need as well. Whether this is merely a coincidence or due to responsiveness to the views of members, it certainly shows congruence in the views of the two groups.

Nevertheless, the proposal of the committee clearly falls short of ordinary members' expectations, since members feel that standards should be reviewed by external parties as well. This suggests a perceived difference between the views of a cross-section and a representative viewpoint. While the committee feels that it is sufficiently representative of all interested parties, members obviously feel otherwise.

The researchers' experience in soliciting the views of members on the standard-setting process has demonstrated that this is not an effective means of involving the profession at large in that process.

#### *Relevance of FASs*

We conclude that most practising accountants in Fiji find FASs of at least some relevance. Although a vast majority of them claim to refer to a maximum of five standards, they are by no means all making use of the same set of five.

The FIA may be interested to note that the more general standards tend to be referred to with greater frequency than the specific ones. This supports views expressed by the chairman in respect of the development of standards for extractive industries and intangible assets. The relevance of specific standards will largely be determined by developments in the economy.

Congruence with the attitude of the IASC is discerned in this respect in so far as the IASC has opted to address all issues of a general nature before devoting its resources to the development of standards for specific industries. Our findings support the view that general standards are of universal relevance to a very significant proportion of users.

#### *Impact of Local Conditions*

Another significant response was recorded in the area of responsiveness to local conditions, with some 90% of respondents expressing the view that local conditions should affect the development of FASs to some degree. The apparent conflict between the views of members and those of the committee appears to reflect the committee's preoccupation with the international credibility of the FIA. Perhaps, since the committee's view is very realistic, the committee itself may need to attend to educating rank-and-file members on reasons why local conditions cannot be allowed to override the pronouncements of the IASC. At the same time, it seems that the committee's strategy in terms of encouraging differential reporting as appropriate is supported by members, who would like to see more such initiatives.

#### *Implications for Future Research*

To date, little research has been conducted on the accounting profession in Fiji. In our opinion, more investigation should be encouraged in order to determine the needs of the profession and evaluate the appropriateness of existing policies and processes.



As we have indicated, we believe, on the basis of our findings, that there is room for further research regarding standard-setting in Fiji. In particular, examination is required, from the perspectives of users of financial reports, as to the relevance of accounting standards. The findings thus far are very clear in terms of the appropriateness of the process and relevance of issues. We have reached some very preliminary conclusions. Future research should be more detailed in nature and aim, for instance, to investigate some of our hypotheses regarding the behaviour of accountants in Fiji. For example, why do accountants refer to the more general standards more frequently than to those that address specific industries?

Are such standards the most useful means of promoting 'good accounting practice', or are such standards the most potent political devices? Answering this question may serve to provide some insight on the question of how much conformity can appropriately be sought with accounting practices in other societies. Political expediency is more likely to be driven by local conditions, and good accounting practice by international values. The fact that in the USA, LIFO is used for the reporting inventory, although FIFO (First In First Out) is generally used elsewhere, provides a useful illustration of this point.

It may also be interesting to determine the context in which particular FASs are referred to. Individual standards could be reviewed for their appropriateness and completeness; are there particular issues encountered in practice for which the standard fails to provide adequate guidance?

#### Abbreviations

AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
FAS	Fiji Accounting Standard
FIA	Fiji Institute of Accountants
FIFO	first in first out
GAAP	general accepted accounting practices
IAS	International Accounting Standard
IASC	International Accounting Standards Committee
LIFO	last in first out
NZSA	New Zealand Society of Accountants
SAS	Statement of Accounting Standard
SSAP	Statement of Standard Accounting Practice

#### Appendix 1 Fiji Accounting Standards as at the end of 1997

Fiji Accounting Standards	Drawn upon (IAS/AAS/ NZSA)	First Issued	Revised
FAS 1 Disclosure of Accounting Policies	IAS 1	March 1979	
FAS 2 Valuation and Presentation of Inventories in the Context of Historical Cost System	AAS 2	July 1979	March 1985
FAS 3 Consolidated Financial Statement	IAS 3	March 1979	
FAS 4 Depreciation Accounting	IAS 4	March 1979	
FAS 5 Information to be Disclosed in the Financial Statements	IAS 5	March 1979	
FAS 7 Statement of Cash Flows	AAS 28	March 1984	Sept. 1995
FAS 8 Profit and Loss or Other Operating Statements	AAS 1	August 1984	July 1992
FAS 9 Accounting for Research and Development Activities	IAS 9	Jan. 1986	
FAS 10 Contingencies and Events Occurring after Balance Sheet Date.	IAS 10	May 1986	
FAS 11 Accounting for Construction Contracts	IAS 11	August 1984	
FAS 12 Accounting for Income Tax (Tax-Effect Accounting)	AAS 3	July 1992	
FAS 13 Presentation of Current Assets and Current Liabilities	IAS 13	Feb. 1986	
FAS 14 Reporting Financial Information by Segment	AAS 16	August 1986	
FAS 16 Accounting for Property, Plant and Equipment	IAS 16	Jan. 1986	
FAS 17 Accounting for Leases	AAS 17	Sept. 1995	
FAS 18 Revenue	IAS 18	Oct. 1997	
FAS 20 Accounting for Government Grants and Disclosure of Government Assistance	IAS 20	July 1992	
FAS 21 Accounting for the Effects of Changes in Foreign Exchange Rates.	IAS 21	March 1985	
FAS 22 Accounting for Acquisition of Assets (Including Business Entities)	IAS 22	Oct. 1997	
FAS 23 Capitalisation of Borrowing Costs	IAS 23	Jan. 1986	

FAS 24 Related Party Disclosures	IAS 24	Sept. 1995	
FAS 25 Accounting for Investments	IAS 25	Sept. 1995	
FAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries	IAS 27	Oct. 1997	
FAS 28 Accounting for Investments in Associates	IAS 28	Oct. 1997	
FAS 30 Additional Disclosures by Financial Institutions	IAS 30	Oct. 1997	
FAS 31 Financial Reporting of Interests in Joint Ventures.	IAS 31	Oct. 1997	
FAS 101 Materiality in Financial Statements	SAS7	April 1976	Jan 1979
FAS 102 Accounting for the Revaluation of Non-Current Assets	AAS 10	March 1985	
FAS 103 Accounting For Value Added Tax	SSAP 19	NZSA	Sept. 1995

**Appendix 2** Selected FIA members' responses on FASs and the standard-setting process, by type of firm and category of membership

**Table 1** Standard Setting

**Question** How should the FIA proceed in setting standards?

Process	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
Standards committee	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Consult members	2 (6%)	1 (4%)	1 (17%)	0 (0%)	2 (12%)	0 (0%)
Consult selected members	18 (53%)	16 (64%)	2 (33%)	0 (0%)	8 (47%)	10 (59%)
Consult general public	14 (41%)	8 (32%)	3 (50%)	3 (100%)	7 (41%)	7 (41%)
Total (N)	34 (100%)	25 (100%)	6 (100%)	3 (100%)	17 (100%)	17 (100%)

**Table 2** Local conditions  
**Question** To what extent should local conditions [e.g. local industries] affect the adoption of accounting standards?

Degree of effect	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
Not at all	3 (10%)	1 (4%)	1 (30%)	1 (33%)	3 (21%)	0 (0%)
Slightly	9(29%)	6 (26%)	2 (40%)	1 (33%)	5 (36%)	4 (24%)
Strongly	14 (45%)	11 (48%)	2 (40%)	1 (3%)	6 (43%)	8 (47%)
Dominantly	5 (16%)	5 (22%)	0 (0%)	0 (0%)	0 (0%)	5 (29%)
Total	34 (100%)	23 (100%)	5 (100%)	3 (100%)	14 (100%)	17 (100%)

**Table 3** Relevance of FASS  
**Question** How relevant do you find FASS in your daily work?

Degree of relevance	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
Extremely	2 (6%)	2 (8%)	0 (0%)	0 (0%)	1 (6%)	1 (6%)
Very relevant	10 (29%)	8 (31%)	1 (17%)	1 (33%)	4 (24%)	6 (33%)
Slightly relevant	19 (54%)	13 (50%)	5 (83%)	1 (33%)	10 (59%)	9 (50%)
Not relevant	4 (11%)	3 (12%)	0 (0%)	1 (33%)	2 (12%)	2 (11%)
Total	35 (100%)	26 (100%)	6 (100%)	3 (100%)	17 (100%)	18 (100%)

**Table 4** Reference to FASs  
How many FASs do you actually refer to in the course of your work?

Number consulted	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
1-5	21 (62%)	16 (64%)	4 (67%)	1 (33%)	10 (63%)	11 (61%)
6-10	3 (9%)	2 (8%)	0 (0%)	1 (33%)	1 (6%)	2 (11%)
11-15	7 (21%)	4 (16%)	2 (33%)	1 (33%)	3 (19%)	4 (22%)
16-20	2 (6%)	2 (8%)	0 (0%)	0 (0%)	1 (6%)	1 (6%)
20 or more	1 (3%)	1 (4%)	0 (0%)	0 (0%)	1 (6%)	0 (0%)
Total	34 (100%)	25 (100%)	6 (100%)	3 (100%)	16 (100%)	18 (100%)

**Table 5** Most frequently referred to FASs  
Of the FASs you use, specify the 3 standards that you refer to most frequently.

Standard (3 per respondent)	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
FAS 1	9 (10%)	6 (9%)	2 (14%)	1 (11%)	3 (8%)	2 (12%)
FAS 2	1 (1%)	1 (2%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 3	3 (3%)	2 (3%)	1 (7%)	0 (0%)	3 (8%)	0 (0%)
FAS 4	11 (12%)	6 (9%)	4 (29%)	1 (11%)	5 (13%)	1 (6%)
FAS 5	10 (11%)	8 (12%)	0 (0%)	2 (22%)	2 (5%)	3 (18%)
FAS 7	17 (19%)	13 (20%)	2 (14%)	2 (22%)	7 (18%)	2 (12%)
FAS 8	4 (4%)	2 (3%)	1 (7%)	1 (11%)	2 (5%)	2 (12%)
FAS 9	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 10	3 (3%)	3 (5%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 11	1 (1%)	0 (0%)	1 (7%)	0 (0%)	1 (3%)	0 (0%)
FAS 12	7 (8%)	5 (8%)	1 (7%)	1 (11%)	3 (8%)	0 (0%)
FAS 13	1 (1%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 14	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 16	2 (2%)	2 (3%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
FAS 17	8 (9%)	7 (11%)	1 (7%)	0 (0%)	6 (15%)	2 (12%)
FAS 20	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 21	2 (2%)	2 (3%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 23	1 (1%)	0 (0%)	1 (7%)	0 (0%)	1 (3%)	0 (0%)
FAS 24	3 (3%)	3 (5%)	0 (0%)	0 (0%)	0 (0%)	2 (12%)
FAS 25	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 101	1 (1%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
FAS 102	2 (2%)	2 (3%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 103	3 (3%)	2 (3%)	0 (0%)	1 (11%)	1 (3%)	1 (6%)
Total	89 (100%)	66 (100%)	14 (100%)	9 (100%)	39 (100%)	17 (100%)

**Table 6** Least frequently referred to FASs  
Of the FASs you use, specify the three standards that you refer to least frequently.

Standard	Total (3 per respondent)	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
FAS 1	1 (1%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 2	3 (4%)	3 (5%)	0 (0%)	0 (0%)	1 (3%)	2 (13%)
FAS 3	3 (4%)	2 (3%)	1 (13%)	0 (0%)	2 (6%)	0 (0%)
FAS 4	3 (4%)	2 (3%)	0 (0%)	1 (11%)	2 (6%)	0 (0%)
FAS 5	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 7	2 (3%)	2 (3%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 8	1 (1%)	0 (0%)	0 (0%)	1 (11%)	1 (3%)	0 (0%)
FAS 9	3 (4%)	1 (2%)	0 (0%)	2 (22%)	2 (6%)	0 (0%)
FAS 10	2 (3%)	2 (3%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 11	5 (7%)	4 (7%)	0 (0%)	1 (11%)	2 (6%)	2 (13%)
FAS 12	3 (4%)	1 (2%)	1 (13%)	1 (11%)	2 (6%)	1 (6%)
FAS 13	2 (3%)	1 (2%)	1 (13%)	0 (0%)	1 (3%)	1 (6%)
FAS 14	3 (4%)	2 (3%)	0 (0%)	1 (11%)	1 (3%)	1 (6%)
FAS 16	4 (5%)	4 (7%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 17	5 (7%)	3 (5%)	1 (13%)	1 (11%)	2 (6%)	1 (6%)
FAS 20	7 (9%)	7 (12%)	0 (0%)	0 (0%)	3 (9%)	1 (6%)
FAS 21	3 (4%)	2 (3%)	1 (13%)	0 (0%)	1 (3%)	1 (6%)
FAS 23	4 (5%)	4 (7%)	0 (0%)	0 (0%)	2 (6%)	1 (6%)
FAS 24	4 (5%)	4 (7%)	0 (0%)	0 (0%)	2 (6%)	1 (6%)
FAS 25	4 (5%)	4 (7%)	0 (0%)	0 (0%)	1 (3%)	1 (6%)
FAS 101	1 (1%)	1 (2%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)
FAS 102	7 (9%)	4 (7%)	2 (25%)	1 (11%)	2 (6%)	3 (19%)
FAS 103	5 (7%)	4 (7%)	1 (13%)	0 (0%)	2 (6%)	0 (0%)
Total75 (100%)	58 (100%)	8 (100%)	9 (100%)	33 (100%)	16 (100%)	

**Table 7** Unused FASs  
Please list any FASs that you have never referred to.

Standard	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
FAS 1	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 2	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 3	1 (3%)	0 (0%)	1 (14%)	0 (0%)	1 (5%)	0 (0%)
FAS 4	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
FAS 5	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 7	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 8	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
FAS 9	8 (23%)	6 (27%)	1 (14%)	1 (17%)	4 (18%)	1 (17%)
FAS 10	1 (3%)	0 (0%)	0 (0%)	1 (17%)	1 (5%)	0 (0%)
FAS 11	3 (9%)	1 (5%)	1 (14%)	0 (0%)	0 (0%)	2 (33%)
FAS 12	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 13	3 (9%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
FAS 14	0 (0%)	3 (14%)	0 (0%)	0 (0%)	2 (9%)	0 (0%)
FAS 16	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
FAS 17	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)
FAS 20	6 (17%)	5 (23%)	1 (14%)	0 (0%)	1 (5%)	1 (17%)
FAS 21	2 (6%)	0 (0%)	2 (29%)	0 (0%)	1 (5%)	1 (17%)
FAS 23	2 (6%)	1 (5%)	1 (17%)	1 (17%)	0 (0%)	0 (0%)
FAS 24	1 (3%)	0 (0%)	1 (17%)	1 (17%)	0 (0%)	0 (0%)
FAS 25	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 101	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
FAS 102	0 (0%)	0 (0%)	0 (0%)	0 (0%)	2 (9%)	0 (0%)
FAS 103	2 (6%)	0 (0%)	1 (14%)	1 (17%)	1 (5%)	1 (17%)
All used	6 (17%)	6 (27%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Total	35 (100%)	22 (100%)	7 (100%)	6 (100%)	22 (100%)	6 (100%)

**Table 8** Alternatives to FASs  
 Question If no FAS exists in a particular area, which alternative would you most probably refer to?

Alternative authority	Total	Firm			Membership	
		Professional	Commercial	Other	Full	Provisional
IAS	20 (59%)	16 (64%)	3 (50%)	1 (33%)	11 (65%)	9 (53%)
AASB	11 (32%)	8 (32%)	1 (17%)	2 (67%)	4 (24%)	7 (41%)
NZSA	1 (3%)	1 (4%)	0 (0%)	0 (0%)	0 (0%)	1 (6%)
Other written authority	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
None of the above	2 (6%)	0 (0%)	2 (33%)	0 (0%)	2 (12%)	0 (0%)
Total	34 (100%)	100%	100%	100%	100%	100%

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Keimami sa vakila na liga ni Kalou  
*(Feeling the Hand of God).*  
*Human and nonhuman impacts on Pacific island  
 environments*

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Climate change seems to be a fact of life, and anyway we always talk about the weather, the most recent disaster or the loss of the past's golden age. Environmental change (= degradation) seems to be the harvest of man's drive for 'development' and 'technological progress'.

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